

BUDGET LETTER

	NUMBER: 05-23
SUBJECT: PREPARATION OF 2006-07 GOVERNOR'S BUDGET	DATE ISSUED: August 18, 2005
REFERENCES: BL 04-31, BL 05-11, BL 05-17	SUPERSEDES:

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) provides guidelines for the technical/procedural preparation of the 2006-07 Governor's Budget. Strict adherence to all schedules and due dates stipulated in this BL is required. **Please remember that all information contained in documents used during the development process is strictly confidential until the release of the Governor's Budget.**

I. SUBMITTAL OF BUDGET SPREADSHEETS

In late August, each department will receive an electronic copy of the final 2005-06 budget spreadsheet (with minor format changes) from its Department of Finance (Finance) budget analyst. Each department must use this spreadsheet to prepare the 2006-07 fiscal statements. The first pass of the spreadsheets is due to Finance no later than **November 1, 2005**.

Note that Finance has made several formatting changes to the spreadsheets. Therefore, it is imperative that departments do not change the structure/format of the spreadsheets. Following is a list of the changes that have been made:

- All spreadsheets have been renamed to the working version, e.g., 0250_5w for Support or 0250_3w for Capital Outlay.
- All spreadsheet version numbers have been changed to "2006-07 V1."
- All spreadsheet version dates have been deleted.
- The fiscal years have been changed to "PY", "CY", and "BY" to make the spreadsheets more flexible from year to year.
- The "PBD-SBO-Chgs in Auth" spreadsheet tab has been split into three separate tabs within the Excel workbook.
- The word "END" has been added to the end of the "PBD", "SBO", and "Chgs in Auth" tabs. This is necessary for the translation of the information from the spreadsheet to the eBudget website.
- The "SPR End Note" has been unbolded.
- Character names in the Detailed Expenditures by Program (Program Budget Detail) have been bolded:
 - State Operations
 - Capital Outlay
 - Local Assistance
 - Unclassified

- All totals lines have been bolded in the Detailed Expenditures by Program (Program Budget Detail)—"PBD" tab, Expenditures by Category (Summary by Object)—"SBO" tab, and Changed in Authorized Positions—"Chgs in Auth" tab.
- The first line of the Changes in Authorized Positions has been unbolded.
- Fiscal statements have been renamed on the spreadsheets to coincide with the names used on the eBudget website and in the 2005-06 printed budget as follows:

<u>Old Name</u>	<u>New Name</u>
Summary of Program Requirements	3-Yr Expenditures and Positions (Summary of Program Requirements)
Program Budget Detail	Detailed Expenditures by Program (Program Budget Detail)
Summary by Object	Expenditures by Category (Summary by Object)
Reconciliation with Appropriations	Detail of Appropriations and Adjustments (Reconciliation with Appropriations)

- All double underscores have been replaced with single underscores.
- All dashes have been eliminated from the spreadsheets and replaced with zeros (0).

Additional technical instructions on updating the 2006-07 budget spreadsheets will be provided in the upcoming training classes.

II. UPDATING NARRATIVE INFORMATION

Last year, departments were asked to perform an in-depth review and update of the narrative statements in order for the information to be presented in a more public-friendly format. While such an extensive review is not necessary this year, each department is requested to review and update the narrative statements in the Governor's Budget. Narrative reports with information from the 2005-06 Governor's Budget printed from Finance's Data Capture System will be distributed to each department in early September. This report will include the following narrative components:

- Mission Statement
- Legal Citations and Authorities
- Program Objectives Statement
- Infrastructure Overview

Each department must provide changes by the date agreed upon with its respective Finance Budget Analyst. Finance Budget Analysts will update the Data Capture System for all revisions received from departments by **September 30, 2005**.

III. **AUTOMATED DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (RECONCILIATION WITH APPROPRIATIONS) PROCESS**

Based on the receipt of the updated 3-year Schedule 10s from departments, Finance anticipates distributing the first Reconciliation with Appropriations (RWA) Reports and Fund Condition Statements (FCS) to departments between **October 7, 2005, and October 21, 2005**. Since all fiscal statements in the budget must tie to the rounded expenditure dollars in the RWA Report, departments are encouraged to update their Schedule 10s with approved changes and submit them to Finance as often as necessary to receive an updated RWA Report prior to submittal of the budget spreadsheet. The BL on the Past, Current, and Budget Year Schedule 10s will contain further instructions on this process.

IV. **AUTOMATED FUND CONDITION STATEMENT PROCESS**

Finance will distribute with each RWA Report an automated FCS for each special fund and certain other bond, federal, or nongovernmental funds that Finance has designated for display in the Governor's Budget. Departments are required to return the turnaround document with the prior year adjustments for each fund that has a FCS display in the Governor's Budget to Finance by **October 7, 2005**.

V. **ADJUSTMENTS TO BE INCLUDED IN THE FIRST PASS OF BUDGET SPREADSHEET**

The first pass of budget spreadsheets should reflect all known baseline adjustments including the following adjustments:

- Carryover appropriation balances
- Financial legislation with specific appropriation
- Limited-term positions
- Expiring programs
- One-time cost reductions
- Full-year costs of current year programs
- Other adjustments approved by Finance

VI. **BUDGET GUIDELINES**

Rounding: All amounts in the Governor's Budget must be rounded to thousands. This includes information in the budget spreadsheet, Planning Estimates, Budget Change Proposals, Schedule 10Rs, and supplementary schedules. Do NOT use whole dollars on these documents. Amounts between \$500 and \$999 should be rounded to \$1,000, and amounts under \$499 should be rounded to \$0. Note: Numbers on the Schedule 10s and Salaries and Wages spreadsheets must be in whole dollars NOT rounded to thousands.

Departments must use the RWA report to tie to the expenditures reported in other fiscal statements in the department's budget. The Schedule 10 adjustments, in whole dollars, are summed, and the rounded total is printed on the appropriate adjustment line in the automated RWA report. This may result in a difference between the totals on the RWA report and the totals on the Schedule 10s. Differences of \$1,000 or \$2,000 are acceptable. Please refer to BL 04-31, Attachment I, for RWA Report Rounding Rules.

Budgeting Proposed New Positions: Proposed new positions must be budgeted at the mid-step of the salary range for a given classification unless a higher level is justified and approved by Finance. Unless otherwise approved by Finance, a minimum of five percent salary savings must be budgeted for new positions. Related operating expenses and equipment expenditures must be budgeted at minimum levels and based on the actual average past year expenditures for variable costs for the type of position requested.

For positions with interchangeable classes, departments must budget new positions at the mid-step of the: (a) minimum salary range for the top class for groups consisting of two classes; (b) middle salary range (mid-step) for groupings which contain an odd number of classes; or (c) lowest salary range of the third middle class for groupings which contain an even number of classifications in excess of two.

VII. COST-OF-LIVING ADJUSTMENTS

Discretionary Cost-of-Living Adjustments are considered policy adjustments and will not be included in the Planning Estimates or budget spreadsheets unless specifically approved by Finance.

VIII. SCHEDULE 10s (SUPPLEMENTARY SCHEDULE OF APPROPRIATIONS)

The initial past year Schedule 10s were distributed in July and are due to Finance by **August 26, 2005**. It is the department's responsibility to assure that amounts for the past year agree with Year-End Financial Reports submitted to the State Controller's Office. Departments must provide a written explanation of any discrepancies, e.g., timing differences, to their Finance budget analyst.

Updated past year Schedule 10s and initial current year and budget year Schedule 10s will be distributed by Finance to departments in mid to late September and early October. Again, departments are strongly encouraged to submit Schedule 10s for clean up and generation of the RWA Report as often as necessary to incorporate decisions/changes prior to submission of the first pass of the budget spreadsheets.

NOTE: Initial current year and budget year Schedule 10s will not be generated and forwarded to departments until the completed past year Schedule 10s have been submitted to Finance. For detailed instructions on the preparation of initial past year Schedule 10s, please refer to BL 05-11.

IX. SCHEDULE 10Rs (SUPPLEMENTARY SCHEDULE OF REVENUE AND TRANSFERS)

Instructions for reporting revenue and transfer data will be provided in a future BL.

X. SUPPLEMENTARY SCHEDULES

Supplementary Schedules of Operating Expenses, Equipment, Federal Funds, and Reimbursements must accompany the first and final passes of the budget spreadsheets. These schedules must include complete past, current, and budget year data. **Refer to Attachments I, II, and III for the forms to be used for this purpose. These forms may also be obtained from: http://www.dof.ca.gov/html/budlettr/forms/fin_form.htm.**

All **final** supplementary schedules must be submitted to Finance with the final budget spreadsheets and must tie to the Governor's Budget. Finance will forward the schedules to the Legislative Analyst's Office and legislative budget staff.

If you have any questions, please call your Finance budget analyst. For technical assistance, contact the Financial Operations Unit at (916) 322-5540 (CNET 492-5540).

/s/ Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager

Attachments

STATE OF CALIFORNIA
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES AND EQUIPMENT
 DF-300 (REV 08/05)

Department of Finance
915 - L Street
Sacramento, CA 95814
IMS Mail Code: A-15

Please report dollars in thousands.

DEPARTMENT NAME	BUDGET YEAR	CHARACTER (S.O., L.A., C.O.)	DATE SUBMITTED	PAGE OF
EXPENDITURE CLASSIFICATION	OBJECT CODE*	ACTUAL EXPENDITURES PAST YEAR	ESTIMATED EXPENDITURES CURRENT YEAR	PROPOSED EXPENDITURES BUDGET YEAR
TOTALS ¹				

* REFER TO UNIFORM CODES MANUAL (OBJECT LINE-ITEM) DISPLAY

¹ TOTAL MUST TIE TO EXPENDITURES BY CATEGORY (SUMMARY BY OBJECT), BY CHARACTER, AS APPLICABLE.

Please report dollars in thousands.

¹ TOTAL MUST TIE TO DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (RECONCILIATION WITH APPROPRIATIONS), BY CHARACTER, AS APPLICABLE.

**SUPPLEMENTARY SCHEDULE—
FEDERAL FUNDS/REIMBURSEMENTS
DF-301—INSTRUCTIONS**

Federal Funds. The term "federal funds" includes grants, contracts, and reimbursements received **directly** from an agency of the federal government and reported as federal funds in the Detail of Appropriations and Adjustments (Reconciliation with Appropriations) in the Governor's Budget.

Reimbursements. The term "reimbursements" includes external reimbursements other than those received directly from an agency of the federal government.

1. Department Name.

2. Budget Year. Insert the dates for the budget year in the related Governor's Budget.

3. Character. Insert the character of the expenditure (state operations, local assistance, or capital outlay).

4. Date Submitted.

5. Page ____ of ____.

6. Descriptive Title. For each grant use, the title or popular descriptive name as listed in the Catalog of Federal Domestic Assistance. For each reimbursement, use the descriptive title in use in the Department.

7. Source of Funds.

Federal Catalog. For each grant, use the five-digit number assigned in the Catalog of Federal Domestic Assistance. For federal reimbursements (made direct to reporting department) or contracts, use the Federal Catalog number if the federal program can be identified. Otherwise, use a five-digit number made up as follows: two digits (as in the Federal Catalog) to identify the federal department making the contract or the reimbursement followed by "999" (e.g., 13.999 for the Department of Health, Education, and Welfare).

Reimbursements from. Report the source of the reimbursements (other than direct federal reimbursements), e.g., another state department.

8. Expenditures.

For Federal Funds. Report separately the direct program cost, departmental indirect cost and statewide indirect cost as applicable for past, current, and budget years by character of expenditures. The totals reported on the Supplementary Schedule must agree with the Detail of Appropriations and Adjustments (Reconciliation with Appropriations).

For Reimbursements. Report the direct and indirect program costs by character of expenditure. The totals must agree with the totals in the Detail of Appropriations and Adjustments (Reconciliation with Appropriations).

Department of Finance
915 - L Street
Sacramento, CA 95814
IMS Mail Code: A-15

DEPARTMENT NAME		BUDGET YEAR		CHARACTER (S.O., L.A., C.O.)		DATE SUBMITTED		PAGE OF	
EXPENDITURE CLASSIFICATION AND ITEM/DESCRIPTION ^{2/}		ACTUAL EXPENDITURES PAST YEAR		ESTIMATED EXPENDITURES CURRENT YEAR		PROPOSED EXPENDITURES BUDGET YEAR			
		QUANTITY	AMOUNT	QUANTITY	AMOUNT	QUANTITY	AMOUNT		
TOTALS									

1/ Total must tie to Equipment line on Operating Expenses and Equipment schedule (DF For-300), by character, as applicable.
2/ Indicate the standard nomenclature for the item requested such as typewriter, adding machine, automobile, etc.